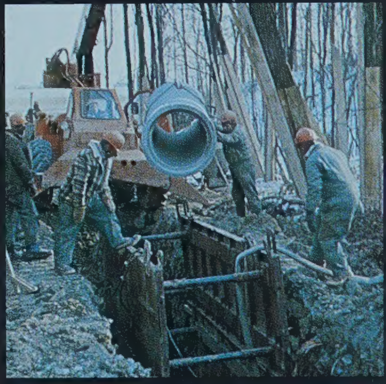


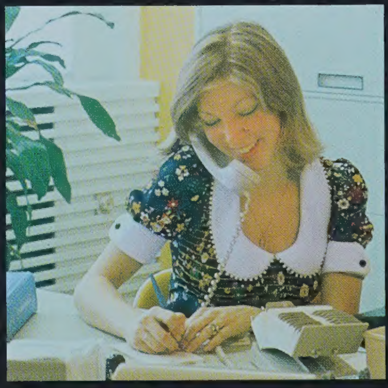





S.B. Mclaughlin Associates Limited




Annual Report 1973







S. B. McLaughlin Associates Limited

Board of Directors

S. F. Chapman
F. H. Falkiner
D. R. Fraser
R. A. Gunn
E. A. Kirk
S. B. McLaughlin
M. Stearns, M.B.E.
J. M. Tory, Q.C.
R. E. Winter

Officers

J. Cottom, C.A., A.C.M.A., *Treasurer*
F. H. Falkiner, *Vice-President and Asst.-Secretary*
D. R. Fraser, B.A., LL.B., *Secretary*
P. R. Gareau, *Vice-President*
E. A. Kirk, C.A., *Vice-President, Finance*
S. B. McLaughlin, B.A., LL.B., *President*
R. E. Winter, B.A.Sc., P.Eng., *Vice-President*

Transfer Agents and Registrars

Canada Permanent Trust Company
Montreal Trust Company
National Trust Company, Limited

Auditors

Touche Ross & Co.

Listing

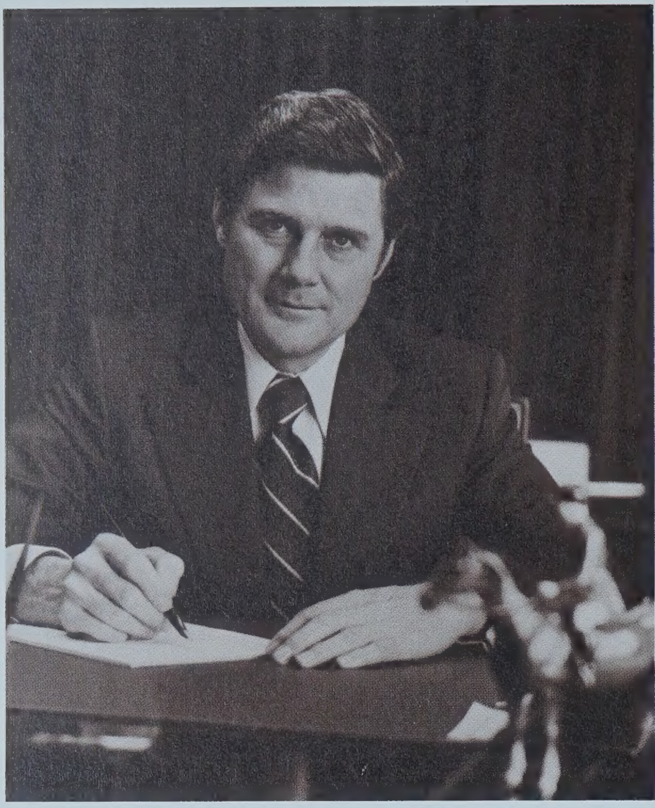
The Toronto Stock Exchange

Head Office

77 City Centre Drive
Mississauga, Ontario L5B 1M6
Phone: (416) 270-7000

Board of Directors

The Board of Directors were photographed overlooking the two-level East Mall of the Company's giant Square One Shopping Centre complex. (left to right)
Marshal Stearns, M.B.E., Ronald A. Gunn, S. Bruce McLaughlin, President, James M. Tory, Q.C., F. H. Falkiner, Vice-President and Asst. Secretary, D. R. Fraser, Secretary, S. F. Chapman, R. E. Winter, Vice-President and E. A. Kirk, Vice-President, Finance.



Report of the Directors

From time to time our Company has advised investors that they must look beyond earnings per share and cash flow per share in order to ascertain the Company's ability to benefit shareholders. It is necessary to carefully consider the factors of appraisal surplus and development potential. In this period of unusual and unsettled political and economic circumstances, the prudent investor must be sensitive to these considerations.

The Year Past

S. B. McLaughlin Associates Limited is growing, diversifying, and maturing. Your Company is a creative company which is holding assets that, in the opinion of management, have both a current market value much higher than book cost, and high development potential.

In 1973 our net earnings totalled $3,224,000 or $1.22 per share. In 1972 net earnings totalled $4,864,000, or $1.93 per share. Shareholders should appreciate the fact that no major registrations of plans of subdivision were completed during 1973, but the value of most of our major land holdings increased significantly. While it is not possible to determine in advance with any degree of accuracy the date of future land registrations or property sales, management is confident that the current political climate will rectify itself in the very near future.

On October 3, 1973 your Company opened Canada's largest regional shopping centre, Square One, and its success since that important date has been exceptional, in fact far greater than anticipated by many of the merchants involved. Square One of course is a significant addition to our portfolio of income producing properties. It is important also to note that we completed the leasing of our Univac and McLaughlin Buildings during 1973. We are now endeavouring to obtain building permits for two additional office buildings in the Mississauga City Centre.

During 1973 our Construction Division completed $20 million of residential building. Our sales program on all units, including 228 townhouses in our Villa Cortez development is now complete. The 400 suite Southgate Towers rental apartments are now 69% rented and soon will be fully occupied. Revenues from these projects will be reflected in 1974 earnings.

The year ahead promises to be even more active for the Construction Division with among others, a 352 unit condominium apartment complex now under construction and a start on 180 townhouse units expected this summer.

Our joint venture construction projects are proceeding on schedule. Notably the Aspen Development of mixed landscaped houses and medium rise apartment units is enjoying much success with sale orders outweighing completions.

Our Caledon Mountain Estates project is well underway with 26 out of 32 registered lots sold to date. Management hopes that new registrations of plans of subdivision on this project will be achieved within one year.

We now have under construction the world's largest Holiday Inn in downtown Montreal, a luxury hotel which will have a total of 868 rooms and many other retail and social facilities. Our Quebec operation is also preparing to announce an office complex for Dorchester Blvd. in Montreal, while other major projects are on the drawing boards for future development.

Our interests in the Province of Quebec and other jurisdictions across Canada and in the United States are expanding significantly as we pave the way into areas where we see exceptional growth potential for the future.

The increasing scope of your Company's projects and investments is too large to be completely summarized in this statement, but you will find most described within this report. However, because of their significance, two do require some mention. In January 1974, we purchased a majority equity interest in Red Wing Peat Corporation, a Texas based sphagnum peat moss supplier. This acquisition we feel represents a very attractive diversified investment for your Company. Recently, we offered to purchase an equity interest in Grouse Mountain Resorts Limited in British Columbia and have made a conditional public offer for 50% of the remaining outstanding common shares of the Company. This potential acquisition provides an additional development opportunity in the challenging area of recreational properties.

Because of the strength and depth of our growing management team, we are confident that growth and diversification will continue unabated and that the benefits to accrue to our shareholders will continue to increase.

Appreciation:

On behalf of the Board of Directors, I wish to thank Mr. George Jennison, who has retired from active business and has relinquished the office of Company Director. His advice and support during the past five years will always be remembered with appreciation. We welcome Mr. Sid Chapman as a new Director and recognize the support that we will obtain from him by being in a position to draw upon his wide range of experience in the business world.

Our entire staff are to be commended for the consistently good efforts which they have put forward in advancing this Company towards its corporate objectives.

General Comments Upon the Present Political and Economic Atmosphere Under Which the Development Industry Must Function:

There is an acute shortage of affordable housing, and most levels of government are blaming the private development industry. This is an absolute misconception of the real situation, and it is truly absurd to think that the major developers of this country have been speculating by holding their lands off the market. The truth is that it has been virtually impossible to have their lands processed into building sites. After years of slow and inept planning and cumbersome administrative procedures, both National and Provincial governments have recognized that there are major distortions in the marketplace which can only be resolved by enabling the private development industry to manufacture large quantities of housing. At last, municipalities are being offered necessary capital assistance. Unfortunately however, most are still inhibiting sound and affordable development. It is your management's policy to continue to strive to find ways to bring new projects into being and make large quantities of affordable housing available to the public.

Meanwhile, throughout the economy, we are plagued with inflation. Labour unions and the business sector are being blamed for feeding inflationary fires. Surely it is time that we recognized that while there are many causes of inflation, the primary cause in most Western societies has been the tendency of our senior levels of government to constantly increase taxation and to initiate expensive programs which do not produce the real goods and services which are being demanded by consumers in the marketplace. Total government revenues and expenditures are now in excess of 40% of gross national product and seem to be headed toward 50%. Increasing numbers of citizens are being pulled into bureaucratic activities. More and more of the time and abilities of our chief executives are being drawn off in time consuming efforts so as to understand and cope with increasingly complex government-originated administrative procedures, which again are not productive of the real goods and services demanded by the consumer.

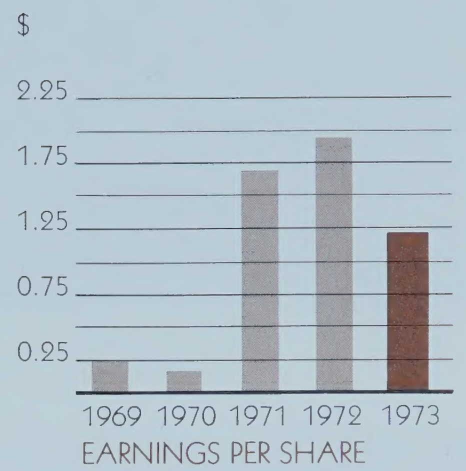
Until government procedures are simplified and government programs are cut back, we see little hope of an abatement of the current high level of inflation.

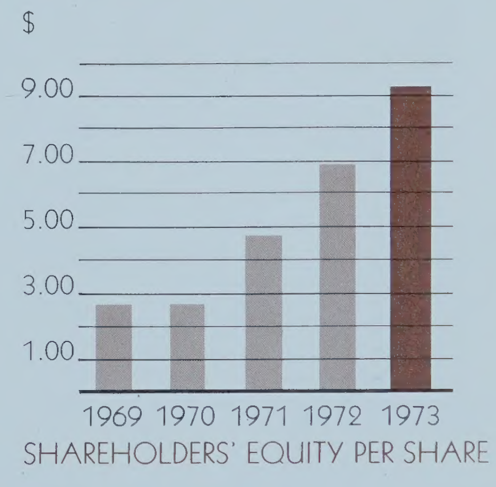
Looking Forward:

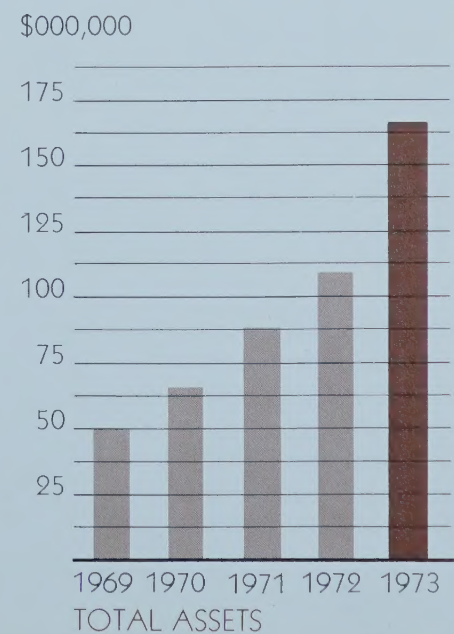
Management anticipates that during 1974 the income from our joint ventures, construction division, and income properties will produce a sound, basic yield. Further joint ventures are under negotiation and 1974 should be a year of earnings improvement and increased activity in all areas. During the next five years management expects an improved level of earnings on an average basis, and continued growth and diversification.

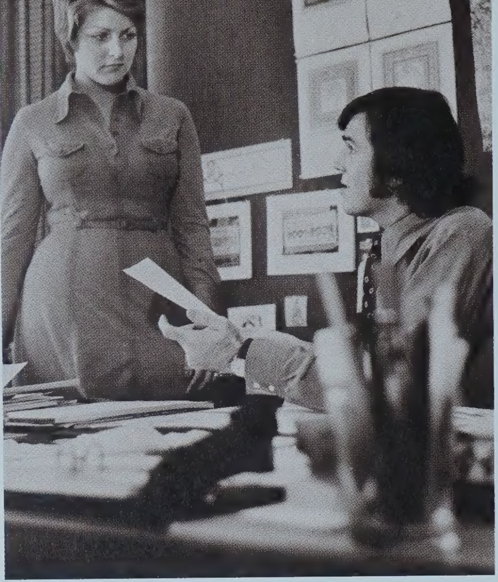
On behalf of the Board,

S. B. McLaughlin
President
May 20, 1974.





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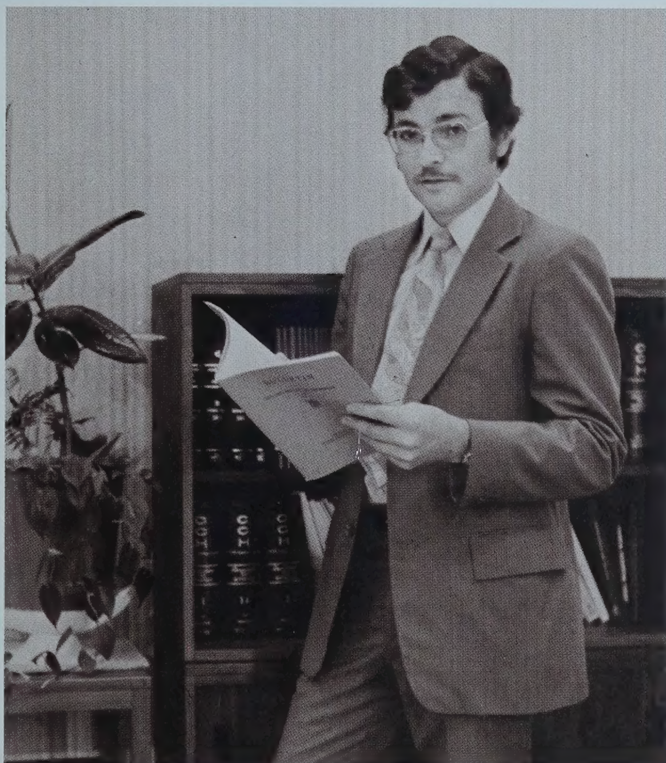

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Corporate Management Group

The Company's rapidly expanding development operations and new diversified investment activities required a broadening of corporate management responsibilities during the year. Principal changes included the appointments of Mr. Joe Cottom as Treasurer and Mr. Paul Gareau as Vice-President, Ontario Region. In addition, managerial depth was increased in several divisions in order to keep pace with the Company's growth policies.

Finance and Administration

A substantial increase in sales and an enlargement of our portfolio of income producing properties during the year generated greater internal use of our financial and administrative services. Our growing staff also necessitated the relocation of the accounting operation to larger facilities in the McLaughlin Building. Effective management of new endeavours requires that we continually seek to develop better management systems and therefore increase overall efficiency.

The McLaughlin team is a highly motivated, growth-oriented group of individuals whose analytical approach to business and its trends will ensure continued progress for your Company long into the future.

1. Mrs. Sandy Munro (left) and Mrs. Suzanne Reilly.
2. Ron Duquette, Corporate Communications Officer and Cher Guest.
3. Ken Ryan, Manager, Office Services, with Mrs. Cheryl Lockhart (left) and Mrs. Eloise O'Leary.
4. Senior Management Group (left to right), S. Bruce McLaughlin, President; Joe Cottom, Treasurer; E. A. Kirk, Vice-President, Finance; Dan Glumicich, President, Quebec and U.S. Operations; Paul R. Gareau, Vice-President, Ontario Region and F. H. Falkiner, Vice-President and Asst. Secretary.
5. Mrs. Jean Miller (left) and Mrs. Caroline Smith in new accounting headquarters.
6. Gwyn Davies, Comptroller.
7. D. R. Fraser, Corporate Secretary.

Consolidated Balance Sheet

as at December 31

	Note	1973 $000s	1972 $000s
Assets			
Income properties	1(b)	43,222	11,399
Construction in progress	1(c)	10,632	11,568
		53,854	22,967
Land: Under development	1(c)	8,032	13,371
Held for development	1(c)	69,398	46,251
Residential properties under construction	1(c)	2,857	276
Investments in joint ventures	1(a)	7,118	—
Deposits under land purchase agreements		66	1,476
Accounts and mortgages receivable	2	23,267	21,439
Cash		469	466
Unamortized financing expenses		813	903
Other assets		623	461
		166,497	107,610
Liabilities			
Mortgages payable	3	83,899	42,504
Funded debt	4	17,801	17,802
Bank indebtedness	5	10,595	4,768
Accounts and notes payable		9,796	7,953
Costs to complete subdivision servicing	7	3,548	5,970
		125,639	78,997
Minority interest in subsidiaries		82	203
Deferred income taxes	1(c)	14,125	10,836
		139,846	90,036
Shareholders' Equity			
Capital stock			
Authorized—5,000,000 common shares without par value			
Issued —2,887,775 common shares (1972—2,558,693)	6	12,592	6,739
Retained earnings		14,059	10,835
		26,651	17,574
		166,497	107,610

On behalf of the Board

S. B. McLaughlin
Director

E. A. Kirk
Director

Statement of Consolidated Earnings and Retained Earnings

for the year ended December 31

Income

	Note	1973	1972
		$000s	$000s
Sales—land and houses		14,602	28,376
Rentals—income properties		2,480	387
Interest and other income		690	1,194
		17,772	29,957

Expenses

	Note	1973	1972
Cost of sales—land and houses		7,146	18,591
Operating costs—income properties (including interest of $1,331; 1972—$168)		2,509	418
Bank and other interest		516	712
Administrative and general		740	647
Depreciation	1(b)	192	60
Amortization of financing costs		81	81
		11,184	20,509
Earnings from operations		6,588	9,448
Income taxes	1(c)	3,364	4,584
Net earnings*		3,224	4,864
Retained earnings—beginning of year		10,835	5,971
Retained earnings—end of year		14,059	10,835
***Net earnings per share**	10(b)	**$1.22**	**$1.93**
***Fully diluted earnings per share**	10(b)	**$1.14**	**$1.74**

Statement of Consolidated Source and use of Funds

for the year ended December 31

	Note	1973	1972
Source		$000s	$000s
Cash flow from operations*		6,861	9,589
Shareholders—on issue of shares	6	5,852	1,166
Term borrowings—funded debt		—	8,802
Increase in:			
Mortgage indebtedness	3	41,395	(850)
Bank indebtedness	5	5,827	(2,090)
Accounts and notes payable		1,843	1,478
		61,778	18,095
Use			
Increase in investment in			
Income properties—including construction in progress	1(c)	31,052	8,504
Land, joint ventures and residential properties under construction	1(c)	26,097	5,086
Accounts and mortgages receivable	2	1,828	6,596
Decrease in costs to complete subdivision servicing	7	2,422	(2,856)
Other changes in assets and liabilities		379	765
		61,778	18,095

	1973	1972
*Net income for the year	3,224	4,864
Adjustment for non cash items:		
Income taxes deferred	3,364	4,584
Depreciation and amortization	273	141
	6,861	9,589

Notes to Consolidated Financial Statements

December 31, 1973

1. Accounting policies:

The accounting policies followed and the financial information disclosure conform with accepted principles recommended for the industry.
These include:

(a) Consolidation:
These financial statements include
(i) the accounts of the company and all subsidiaries, and
(ii) the company's investment in 50% owned incorporated and unincorporated joint ventures on an equity basis. A summary of the company's proportionate interest in the assets and liabilities in these ventures is:

	$000s
Residential properties under construction	637
Land under development	7,565
Land held for development	1,909
Accounts and mortgages receivable	219
Other assets	439
	10,769
Mortgages payable	2,563
Bank indebtedness	427
Accounts payable	661
	3,651
Net equity (including interest allocated to land of $270,000)	7,118

No operating income arose as a result of these ventures during 1973.

(b) Income Properties
Income properties are stated at cost less accumulated depreciation and comprise

	1973 $000s	1972 $000s
Land	1,324	638
Buildings	42,123	10,821
	43,447	11,459
Accumulated depreciation	225	60
	43,222	11,399

Depreciation is provided on the basis of a 5% sinking fund over the following periods:

Shopping centre properties	30 years
Other commercial projects	40 years

(c) Land and construction in progress
These assets are carried at the lower of cost or estimated net realizable value. Cost includes an applicable portion of interest, realty taxes and administrative costs. Amounts allocated to these assets during the year amounted to:

1973 $6,942,000 (including interest of $5,720,000)
1972 $4,470,000 (including interest of $4,102,000)

Land is considered to be under development from the date of registration of a subdivision, at which time the estimated cost of servicing is provided fully in the accounts.

Under the provisions of income tax legislation some of these costs are claimed as incurred, thus giving rise to a deferral of income taxes which will become payable on sale of the applicable assets and collection of the proceeds.

2. Accounts and mortgages receivable:

These are substantially all receivable under mortgage and land sales agreements, carrying an average interest rate of 7.2% and mature as follows:

	$000s
1974	7,220
1975	540
1976	902
1977	47
1978	7,901
1979 and thereafter	6,657
	23,267

3. Mortgages payable:

These are secured on specific properties and bear an average interest rate of 9.2%. Principal repayments are due as follows:

	$000s			
	On Income Properties	On Land under Development	On Land held for Development	Total
1974	451	2,753	4,065	7,269
1975	2,105	200	8,471	10,776
1976	382	32	1,304	1,718
1977	390		2,895	3,285
1978	468		8,950	9,418
1979 and thereafter	42,840		8,593	51,433
	46,636	2,985	34,278	83,899

The average interest rate and repayment dates are after taking into account the refinancings in 1974 outlined in note 9, but without recognition of the additional funds generated and repayable from these financings.

4. Funded debt:

	Issued and Outstanding $000s
(a) 7% Convertible Subordinated Debentures (Authorized $3,885,500) due January 15, 1989. Redeemable at company's option at a premium of 5% in 1974 decreasing to par in 1988. Convertible into common shares prior to January 15, 1979 (50 shares per $1,000 principal). Subject to annual sinking fund requirement commencing January 15, 1980.	3,801
(b) 9½% First Mortgage Sinking Fund Bonds (Authorized $6,000,000) due April 1, 1990, secured by a first fixed and specific mortgage on certain lands and a first floating charge on the undertaking and other assets of the company. Redeemable on April 1, 1975 on election by holder after April 1, 1974 and before October 2, 1974 and thereafter at the option of the company at a premium of 5.2% to April 1, 1976 decreasing to par 1989. Subject to annual sinking fund requirement commencing April 1, 1976 which will require payments of $300,000 in 1976 and annually thereafter.	6,000
(c) 8½% Secured Debentures (Authorized $8,000,000) due April 15, 1984, secured by a fixed and specific charge on certain assets and a floating charge on the undertaking and other assets of the company ranking pari passu with the floating charge securing the 9½% bonds. Redeemable on April 15, 1978 on election by holder after April 14, 1977 and before October 15, 1977 and thereafter at the option of the company at a premium of 8½% to April 15, 1979 decreasing to par in 1984 subject to annual sinking fund requirements commencing April 15, 1979.	8,000
	17,801

5. Bank indebtedness:

Bank loans are secured by assignment of mortgage draws on construction in progress and by collateral mortgages on certain lands and assignment of accounts and mortgages receivable.

6. Capital stock:

(a) During the year 291,507 shares were issued for cash at $17.50 each, 37,500 shares were issued at $20 each as partial consideration for the acquisition of the assets of Chinguacousy Country Club Limited and 75 shares were issued on conversion of 7% Debentures.

(b) Unissued shares have been reserved for:

	Shares
(i) Conversion of 7% Debentures	190,050
(ii) Exercise of warrants issued with 9½% Bonds. (Each warrant entitles the holder to purchase 1 common share for $10 cash on or before April 1, 1975.)	179,940
(iii) Stock options to officers and employees	100,000
	469,990

(c) Stock options (exercisable cumulatively at the rate of 1/5 per year) are outstanding as follows:

		Number of Shares		
Expiry Date	Exercisable at	Outstanding Dec. 31, 1972	Granted During 1973	Outstanding Dec. 31, 1973
1974	$15.00 per share	60,000		60,000*
1977	$15.00 per share	30,000		30,000
1978	$16.00 per share		5,000	5,000
1978	$16.65 per share		5,000	5,000
		90,000	10,000	100,000

*These options expired in January 1974 before being exercised and options for an equivalent number were granted for a further 5-year period at $16.65 per share.

(d) Dividend restrictions:
The trust deeds securing the funded debt impose certain restrictions on payment of dividends to shareholders. The most restrictive of these is that no dividends may be paid while any of the 7% convertible debentures are outstanding.

7. Commitments:

Estimated costs to be incurred to complete income property construction in progress at December 31, 1973 amount to $24,000,000. Mortgage financing has been arranged to cover these costs.

8. Contingent liabilities:

The company is contingently liable for its associates' share of obligations in unincorporated joint ventures amounting to approximately $978,000. In each case the associates' share of the assets is available and is adequate to meet such obligations.

The company has guaranteed bank indebtedness of an incorporated joint venture up to $1,000,000.

9. Subsequent events:

(a) Refinancing

(i) In January, 1974 the company issued $35,000,000 First Mortgage Sinking Fund Bonds at par, bearing interest at 9⅝% payable June 15 and December 15 annually, the proceeds from which were used to retire $32,000,000 of short-term construction loans. These bonds mature December 15, 2003, are subject to sinking fund instalments and are not redeemable except for sinking fund purposes prior to 1988.

(ii) In March, 1974 the company obtained $6,000,000 on a 25 year mortgage at 9¾%, the proceeds from which were used to retire a $5,580,000 short-term construction loan.

(b) Acquisitions

(i) In January, 1974 the company acquired 54% of the shares of Red Wing Peat Corporation for cash of $1,700,000 and also acquired $1,570,000 long-term debt of Red Wing and its wholly-owned subsidiary, Western Peat Moss Limited, at par for cash.

(ii) In May, 1974 the company made an offer to acquire 50% of the issued common shares of Grouse Mountain Resorts Limited for cash and exercised an option to acquire a further 1,000,000 treasury shares for cash. Financing has been arranged to cover total costs estimated at $4,500,000.

10. Statutory and other information:

(a) Remuneration paid during the year to senior officers of the company amounted to $404,000 (7 officers); (1972 $218,000 (5 officers) . No directors' fees were paid by the company during the year or during 1972.

(b) Earnings per share have been calculated based on the average number of shares outstanding during the year. Diluted earnings per share have been calculated on the basis that all options, warrants and convertible privileges had been exercised at the beginning of the year (or when granted in the case of options granted during the year) and that funds made available were used to liquidate indebtedness carrying interest at 12%.

(c) Certain items have been reclassified in the 1972 comparative figures to conform to the 1973 presentation.

Auditors' Report

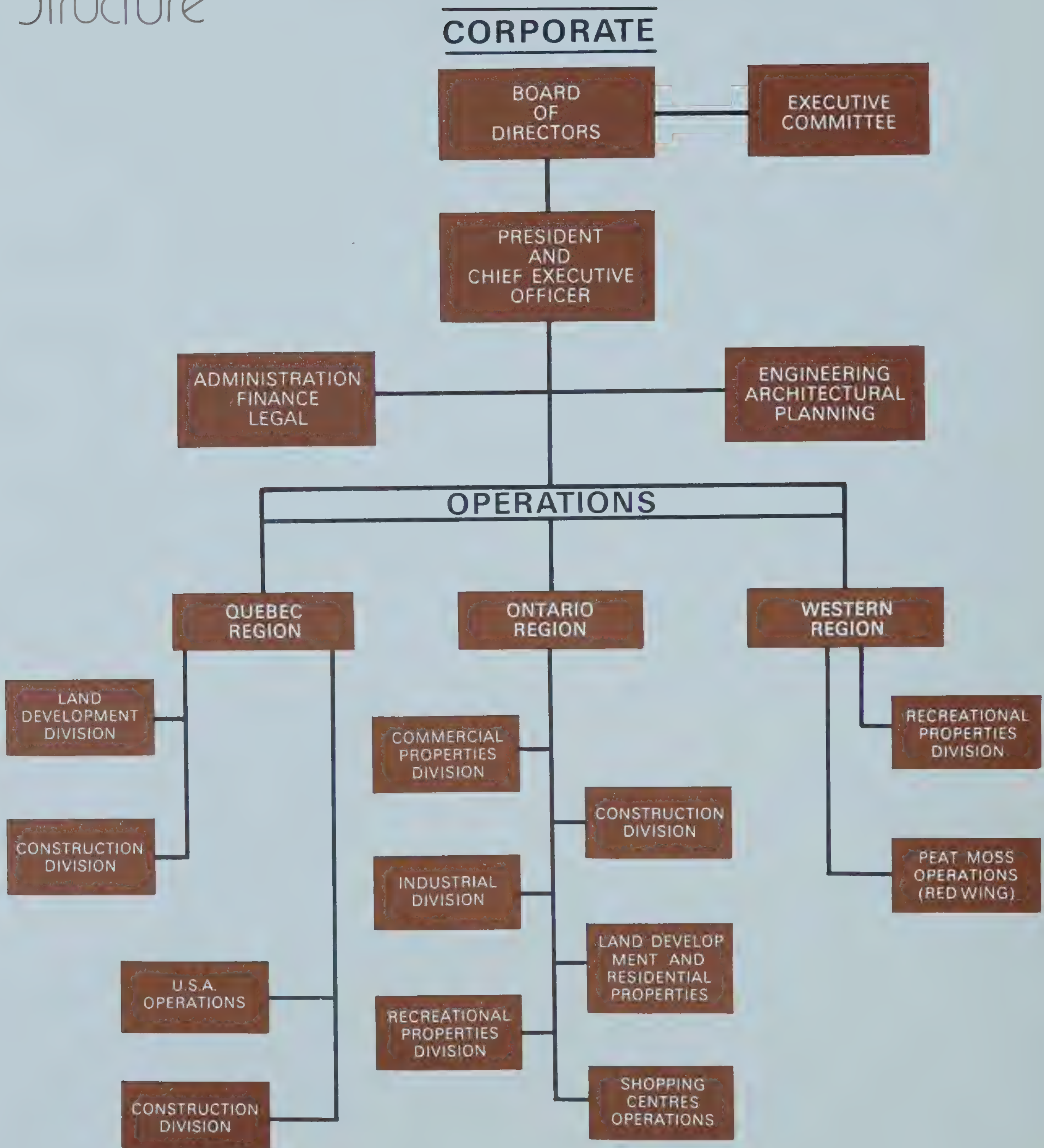
The Shareholders,
S.B. McLaughlin
Associates Limited

We have examined the consolidated balance sheet of S.B. McLaughlin Associates Limited and subsidiary companies as at December 31, 1973 and the statements of consolidated earnings and retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.
In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.
Chartered Accountants.

Toronto, Ontario,
May 3, 1974.

Corporate Structure



McLaughlin Growth and Diversification

The McLaughlin Group of companies are primarily engaged in residential, commercial, industrial, and recreational property development. However, the management team has the capacity to diversify into other fields of activity whenever a special opportunity becomes available.

As the Company has matured it has acquired resources and developed the people that give us the strength and the opportunity to grow and prosper as we undertake worthwhile, quality projects of considerable importance to the communities in which we work.

This is a Company that has been built upon a philosophy of integrity in every aspect of its operations, and responsibility to society. Our success in the past has been directly attributable to this corporate philosophy, and we are confident that these policies will enable us to solve the problems of the current unusual political and economic climate.

Because the Company has grown and prospered, and because of the high degree of uncertainty as to the timing of individual projects, your Company has developed the policy of diversification. This policy includes a diversification of development projects, both as to type of project and geographic location. In addition, we are prepared to diversify the nature of our investments so as to include undertakings other than property development. As this program occurs, we will continue to accumulate a portfolio of income-producing properties.

Throughout this report, you will see clear evidence of your Company's success in attracting and developing management personnel of the highest calibre. In addition, the success in our diversification program will be apparent to you as you review it. We plan to continue this program of growth and diversification and shareholders can look forward to further announcements as your Company applies its policy of growth and diversification.

Corporate and Financial Information

Financial Highlights

	1973	1972
Total Assets	$166,497,000	$107,610,000
Net Earnings	3,224,000	4,864,000
Earnings per share	1.22	1.93
Cash Flow from operations	6,861,000	9,589,000
Cash Flow per share	2.59	3.78
Shareholders Equity	26,651,000	17,574,000
Number of shares outstanding at year end	2,887,775	2,558,693

Contents

Operations

McLaughlin properties and operations under active development or held for future projects. A description of these projects by division is outlined on the following pages.

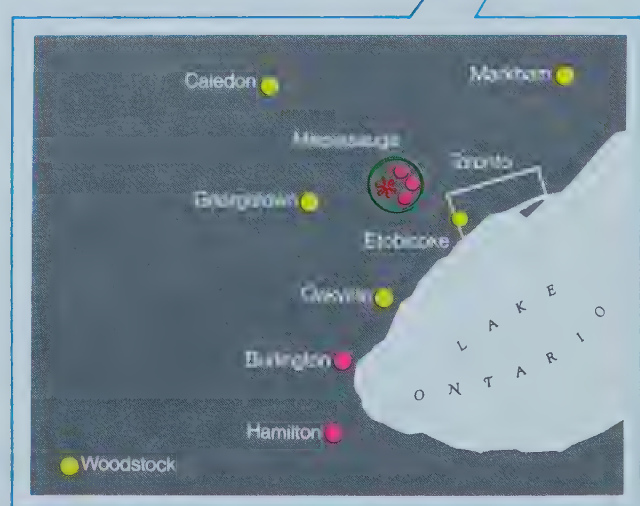
Development Diversification

○ Mississauga .... 3,034 acres
* (Corporate Head Office).

■ Caledon .... 2931 acres
Etobicoke .... 10 acres
Halton Hills (Georgetown) .... 1047 acres
Markham .... 78 acres
Montreal (downtown) .... 4 acres
Oakville .... 381 acres
Quebec .... 1600 acres
Southfield, Michigan, U.S.A. .... 50 acres
Woodstock .... 59 acres

● **Joint Development Projects—**

"Aspen"—Mississauga	(50% interest)	175 acres
Hills Community—Mississauga	(50% interest)	216 acres
Port Credit Harbour—Mississauga	(50% interest)	55 acres
Burlington	(50% interest)	48 acres
Chedoke Farms—Hamilton	(50% interest)	75 acres
Harris Place—Hamilton	(50% interest)	49 acres



Investment Diversification

● **Red Wing Peat Corporation (54% interest)**
British Columbia
Manitoba
New Brunswick
Houston, Texas, U.S.A.—Sales and marketing headquarters

● **Grouse Mountain Resorts Limited—**
Vancouver, B.C. (Actual interest percentage subject to acceptance of outstanding offer)

Subsidiaries
Canyon Aerial Tramways, Fraser Canyon, B.C. (43% interest)
Undersea Gardens—Victoria, B.C. (50% interest)
—Crescent City, California, U.S.A. (50% interest)
—Newport, Oregon, U.S.A. (50% interest)


VALLEY
BOULEVARD
ALLENDE
ROAD
MISSISSAUGA
HIGHWAY No 10
BLOCK 'H'
BLOCK 'I'
BLOCK 'J'
PARKWAY
CENTRAL
CLIFF
ROAD
RHONDA
ACALA
CRESCENT
VALLEY
KAREN
PARK
GROVE
KRISTIN
TERRACE
FIONA
CRESCENT
MICHELLE
TRISHA
NORTH
DOWNS
VOLTARIE
CRESCENT
CANADIAN
PACIFIC
AVENUE
BLOCK 'P'
BLOCK 'O'
BLOCK 'Q'
BLOCK 'L'
BLOCK 'U'
BLOCK 'G'
BLOCK 'F'
BLOCK 'E'
BLOCK 'D'
BLOCK 'M'
BLOCK 'N'
BLOCK 'B'
R.P. 922
R.P. 903
Road Allowance Between Lots 15 and 16, Concession 1, N.D.S.

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Land Development Division

The primary responsibility of the Land Development Division is the assembly of raw land, and the preparation of community plans and plans of subdivision for that land for the eventual use by the Company's operating divisions and, in some cases, for sale to other builders.

The objective of the Division is to seek out markets that offer stable long-term potential and within those markets to acquire tracts of lands of sufficient size so that complete communities can be planned. Potential markets are subjected to intensive on-going analysis by the McLaughlin team of experts in land use planning, engineering, architecture, construction, product marketing and finance. Cost of land, problems inherent in its physical characteristics, proximity to labour and materials, and political and economic conditions are just a few of the factors which can influence the specific ways in which the acquisition and community planning will evolve. Based on the results of this input, the decision to commit the human and financial resources of the Company is made and the process of zoning, subdivision, and the installation of roads and services is carried out.

The decade of the seventies has signalled a new and more complex era in land development. Environmental concerns and a higher standard of quality of life head the list of demands being made by governments and the public.

In order to anticipate and fulfill these physical and emotional needs and still work within the cost restraints and profit requirements of a public company, the most efficient land use planning is necessary.

The activities of the Land Division are divided between the planning required to produce building lots in the short and medium term and an acquisition program that evaluates longer term opportunities in all potential growth areas in Ontario. Current developments operated by the Land Division are located in Mississauga, Halton Hills, Markham, Woodstock and Hamilton. The Mississauga Valleys development is nearing completion and houses some 12,000 of the 28,000 people who will ultimately live in the project. A number of other projects await the necessary government approvals, the most significant being 600 acres with a potential 8,400 housing units in Mississauga.

1. Bill Bodrug, Manager, Land Development and Residential Properties Division.
2. Raw Land—The basic commodity of our business, awaits municipal approvals for residential development in the City of Mississauga.
3. The steel box method is utilized in servicing this heavily wooded area of Mississauga Valleys in order to minimize damage to existing trees.
4. Mrs. Maureen Tuohy (left) and Mrs. Edna Sampson, Land Development Division.
5. The Company maintains a farming operation on lands waiting for development.
6. Soil testing is conducted in the early stages to determine development feasibility by Dale Taras, Land Division (centre) and engineering consultants Maurice Hunt (left) and Alan Tomlinson (right).
7. George Harris, Manager of Subdivisions (left) and Ron Winter, Vice-President and consulting engineer to the Company review plans which incorporate a potential 8,400 new housing starts in Mississauga.

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Construction Division

After several years of steady growth and the building of projects which have established a solid reputation for quality and value, the Company's Construction Division in Ontario recorded its most productive year during 1973.

In Mississauga Valleys, Southgate Towers our first rental apartment project with 400 suites and an abundance of social and recreational facilities is now complete and expected to be fully occupied by summer.

Villa Cortez, a condominium townhouse development comprised of 228 units is also completely sold out and enjoyed an exceptional sales record.

The success of these projects is in part, an important integral feature of our community master plan in Mississauga Valleys . . . close proximity to schools, shopping and recreation. Another, is the Company's ability to adapt readily to the times. With land, labour and construction material costs accelerating at tremendous rates, proportionately fewer single family detached houses will be built in the future. Experts indicate a continuing diversification into newer types of family accommodation. Patio homes, cluster townhouses, low-rise garden apartments and high-rise buildings, to name a few. Undoubtedly, there will be a wider acceptance of higher density planning with more emphasis placed on green space and recreational facilities.

Coupled with the need to be flexible, a continuing search for the best and newest time and labour saving methods is a key management strategy. As important, on-site supervision of production and quality control is performed by seasoned construction managers of the Company.

The Division will focus its attention on a wide variety of new projects during the next 12 to 18 months . . . projects which have an estimated value of 30 million dollars. Most of the Division's activities will be centred in the Company's Mississauga Valleys development.

Twelve single family dwellings of custom design will be completed in the fall of 1974 and are expected to sell very quickly.

Excavation is now underway on a 352 luxury condominium apartment complex called Parkway Terrace. The project will feature large, air-conditioned suites and a variety of internal amenities including a swimming pool, saunas, a day care centre, tennis courts, spacious green belt areas and underground parking. Sales on these units is scheduled to begin in January 1975 with occupancy the following May.

1. Murray Barrick, Manager, Construction Division.
2. Final stages in the construction of 8 chalet type cottage homes in the Caledon Mountains.
3. Construction supervisors Clarence Currie—Apartments (left) and John Balodis—Housing, inspect Phase I of the Company's 228 unit Villa Cortez townhouse project.
4. Southgate Towers, the Company's first rental apartment complex totalling 400 suites nears full occupancy.
5. Southgate Towers offers its residents a variety of indoor and outdoor leisure facilities including a professionally managed day care centre.
6. 12 single family homes of superior design are scheduled to begin construction in June 1974 in Mississauga Valleys.
7. Parkway Terrace, containing 352 condominium units and an enclosed recreation complex is now under construction and scheduled for a June 1975 completion.

Construction Division Cont.

Construction of 180 multi-level townhomes in 4 and 6 storey buildings will begin this year. This project too will feature underground parking and include its own pool and recreation centre. Furnished models will be available for our sales program in early 1975.

A 90 townhouse block and 100 units of a similar design in Hamilton, Ontario (part of a joint venture project with Taro Properties Incorporated), are slated to begin construction during early 1975. Both projects feature total underground parking facilities and larger than average units. First models will be available for sale in the summer of that year.

The Division's participation in developing income producing properties for the Company will be accelerated during the coming summer months with a construction start of Phase I of the Silvercreek Shopping Centre which will incorporate 26,000 sq. ft. of building space.

Also, plans are in process to build a series of condominium summer chalets as part of the Company's subsidiary development in the Caledon Mountains.

1. Youngsters enjoy facilities in one of the many playgrounds located in the 90 acres of parkland and greenbelt in Mississauga Valleys.
2. One of 18 single family dwellings on ravine lots which were constructed by the Division last year.
3. Site plan approval on a 180 unit condominium townhouse project in the Valleys is expected by summer 1974.
4. Jan Leyden (left) and Syd Forer study the sales record of the Villa Cortez project.

Joint Development Projects

Joint venture operations continue to be a significant story of success, and our commitment to this policy of encouraging the joint development principle will continue in the coming year as we explore new partnership arrangements.

On February 1, 1974, your Company along with Goldlist Construction Limited opened the doors to Phase I of "Aspen" in Mississauga and received outstanding reaction from the buying public. In two days, all units in the initial stage were sold and the waiting list was forming to purchase others in our landscaped housing concept, well in advance of construction.

"Aspen" was heralded by the media as one of the most unique and imaginative housing concepts to hit the Canadian scene in years. The project design will create a traffic-free, pedestrian oriented environment by placing all automobiles underground and converting streets into highly landscaped walkways and play areas. The average living area in the landscaped house is 2,000 sq. ft. Each is fully air conditioned and features broadloom and five appliances as part of the sales package.

At present, all 258 landscaped houses in the project are either sold or reserved for future purchase, while 309 high-rise condominium units in two buildings, and with the same basic features have just been placed on the market. The overall project incorporates some 4,000 units with a mix of both housing types and will be constructed over the next 4 years.

In Hamilton, Ontario, the Company has joined forces with Taro Properties Incorporated to construct Chedoke Farm, a community of 598 single family dwellings, semi-detached homes, and townhouses. Phase I, totalling 103 units, is now completely sold out. Registration has been received on the 2nd phase and construction is underway on 357 units in that group. A 100 unit townhouse block will begin during the summer. The final phase comprised of 38 units is in the planning stage.

The program also includes a 50 acre area known as Harris Place where apartments, semi-detached homes and commercial facilities will be constructed. Registration on this project is expected during September 1974.

1. Phase I of "Aspen" under construction includes 258 landscaped houses and 309 condominium apartment suites.
2. Our Chedoke Farm project in Hamilton, Ontario incorporates 498 single family and semi-detached homes similar to the model shown above.
3. Spaciousness, comfort and luxury are a key feature in the bedroom and living room interior designs displayed in "Aspen" landscaped house models.

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Commercial Properties Division

The Commercial Division is active in many of the Company's project areas and is responsible for the planning, development, and management of these commercial properties including the City Centre complex in Mississauga. A major function of the Division is the acquisition of prime tenants for the City's new downtown core.

To date, over 2 million sq. ft. of building space has been erected in the project in four office buildings and the Square One Shopping Centre. Plans are awaiting approval to construct a 30,000 sq. ft. medical/dental centre and an additional 200,000 sq. ft. office structure this year. A future hotel complex has also been proposed for the development and feasibility studies are underway to determine its potential.

A more detailed master plan of the overall City Centre concept is being completed and will be presented to City officials and the public this year.

In Etobicoke, our Lakeshore land assembly program is nearing completion and conceptual plans and re-zoning application will be submitted this year. The high density development will incorporate approximately 2,000 apartment units and related amenities. Our Beauporte Inn project plans have been revised and presented to Borough officials. At present, the planning staff are considering the new proposal with a view to re-zoning the site. Under the proposal, the complex will total some 1.3 million sq. ft. of building area.

1. Paul Gareau, Vice-President, Ontario Region (left) and Wm. Karleff, co-ordinating architect for the Company.
2. D. G. McAlpine, Property Management (left) and Paul Volpe, City Centre Development Manager.
3. A busy day at Square One. Shoppers occupy almost all of the 6,300 parking spots available around the complex in the core of the McLaughlin City Centre project.
4. Proposed Medical/Dental complex for City Centre.
5. Development concept for Beauporte Inn, Etobicoke.
6. An architect's schematic for the re-development of a proposed lakefront project in Etobicoke.

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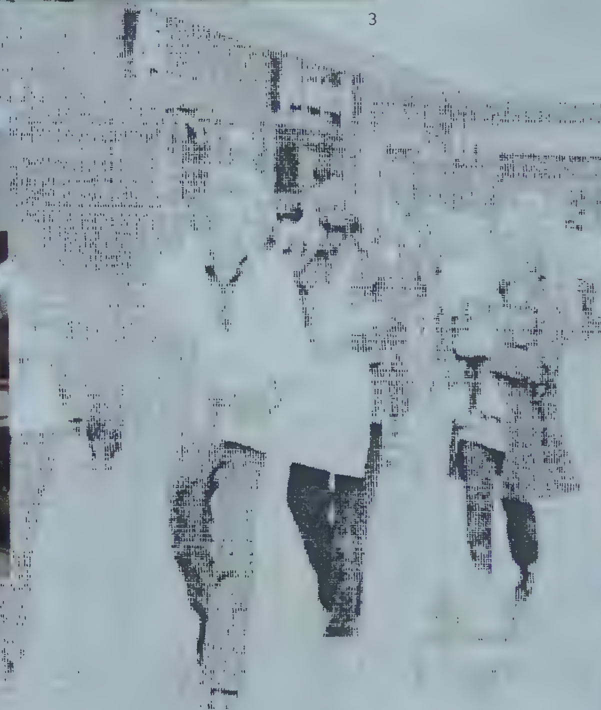

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Shopping Centres Operations

The Shopping Centres Operations group enjoyed an excellent year in 1973 and the opening in October of Canada's largest shopping centre, Square One, was a major reason for this success. By employing modern traffic tabulation techniques management has been able to estimate that some 120,000 visited the centre on opening day alone, while over 6 million people have walked through the malls of the huge complex in the first 6 months of operation.

Merchant reports indicate that volumes in the first half are far beyond original expectations and a number of tenants will experience record sales for a first year of operation. The centre's advertising and promotion programs play a major role in building traffic and generating sales.

The lively Square One radio jingle communicates the great variety, convenience and outstanding features of the centre while in-mall attractions each and every week of the year help to create the atmosphere of an active city downtown environment . . . everything from antique car displays to marathon runners to free movies and cartoons for youngsters on Saturdays in the supervised, four theatre, cinema complex. Many of these promotions are community oriented and provide an important link to local people and activities.

The Division is also responsible for the overall development of new shopping facilities, projects which range from small neighbourhood centres to regional operations like Square One. The Company's 40,000 sq. ft. Silvercreek Shopping Centre in Mississauga Valleys is scheduled for a summer 1974 construction start and will be built in two phases. Phase I will incorporate the restored "Cherry Hill" house which was originally built in 1807.

In Burlington, development plans on a 500,000 sq. ft. complex are in the conceptual planning stage.

Meanwhile, the Division is conducting feasibility studies in many other areas of the country in its search for new potential project sites.

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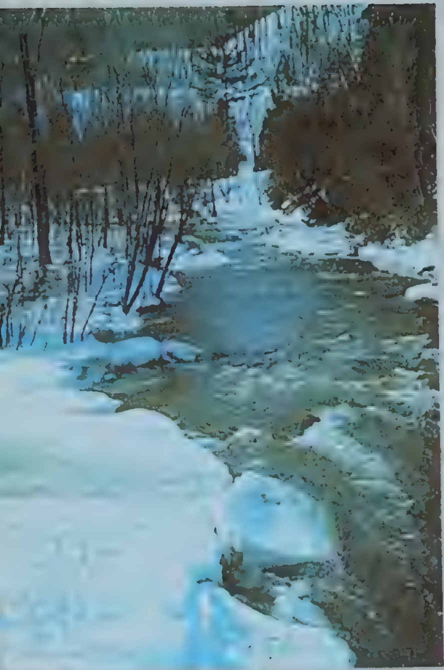
1. Dave Apperley—Manager, Shopping Centre Operations and Development.
2. Mrs. Janet Cadman (left) and Mrs. Pat March.
3. Visitors enjoy the entertainment and open air environment of Square One's garden court.
4. Bob Fournier (right) Manager of Square One Operations inspects a section of the modern power plant which provides a year-round climate controlled atmosphere for merchants and shoppers.
5. October 3rd, 1973, and it's official. Square One, Canada's largest shopping centre is open to the public.
6. Mr. Neil Wilson, Promotions Manager and Miss Nance Gluszek, Promotions Co-ordinator.
7. George Becher, Assistant Manager of Square One (left) and John Willmott of Garvey and Willmott Men's Stores who is also President of the Square One Merchants Association stroll down the north mall.
8. The historic restoration of Peel County's first homestead "Cherry Hill" originally built in 1807 is underway, and destined to become one of Ontario's finest dining facilities.
9. Architectural rendering of the Silvercreek Shopping Centre containing 40,000 sq. ft. of retail space.
10. An average day at Square One, lots to see, plenty to do.



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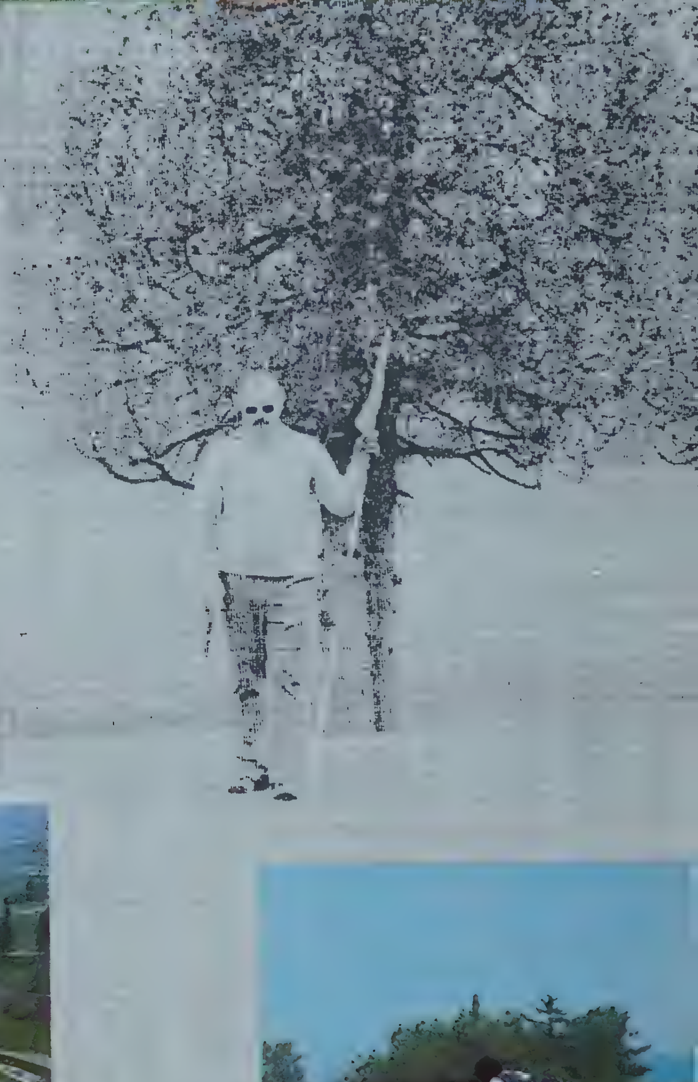

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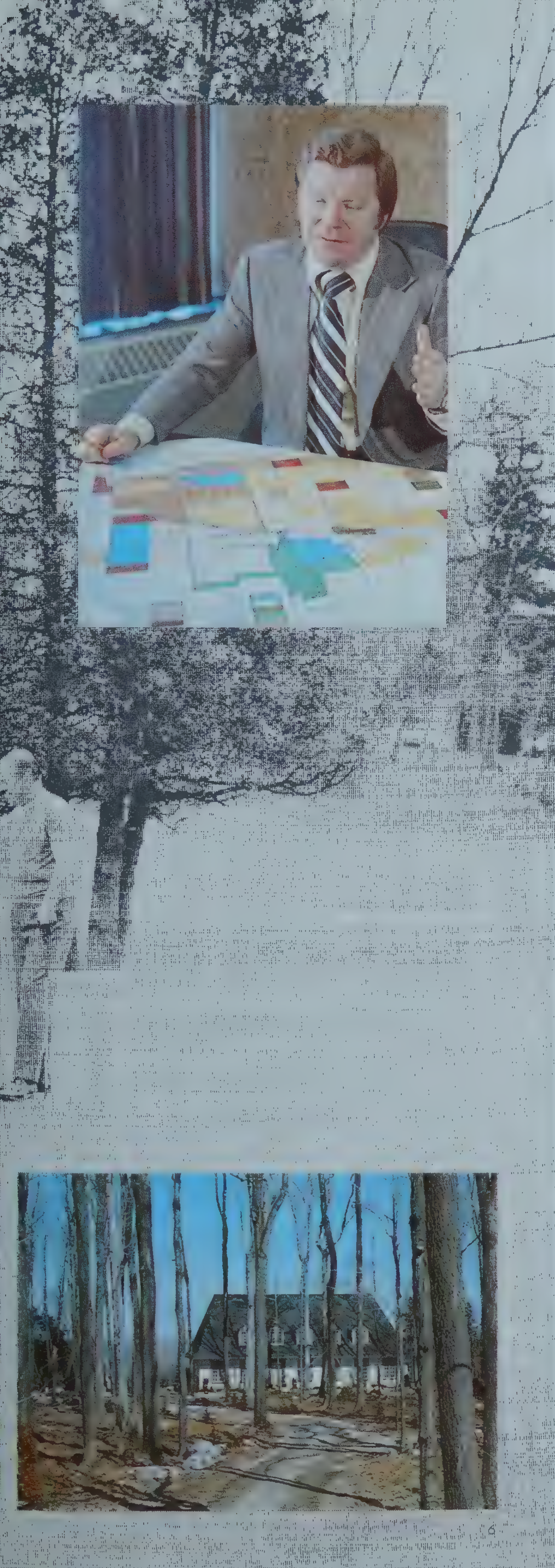

Recreational Properties Division

The Recreational Properties Division is making significant progress on its Caledon Mountain Estates project with lot sales moving extremely well.

To date, 26 of the 32 lots placed on the market in 1973 have been sold and construction is underway on several homes in the first phase of this 3,000 acre development located in the picturesque Caledon Hills.

Development plans of the entire acreage will be presented to governmental authorities this month and the Company anticipates approval of a five year program for the project.

In addition to estate residential lots, the concept incorporates hundreds of acres for recreational use including riding trails, hiking, skiing, and integration of the Company owned Chinguacousy Golf and Riding Club property. The Company also owns a number of retail operations in the historic Village of Belfountain, which was founded in 1825. Attempts will be made to maintain the unique rustic quality of the Village and in some cases, it will be necessary to undertake restoration of landmarks to give it a turn of the century appearance and retain the early character.

Plans also include the establishment of a farm operation in the area, which will be open to the public. An old log cabin on the property will be restored and become a museum of early Canadian furniture and farm implements.

Another major project undertaken by the Recreational Properties Division during the year was the "Port Credit Harbour" development, one of the largest marina facilities in North America. Located on the north-west shore of Lake Ontario at the Credit River junction, the marina will be operational in June while being fully developed in stages under a joint venture agreement with Cole-Leoppky Associates.

When complete, "Port Credit Harbour" will incorporate accommodation for 1,000 boats of all sizes, 90,000 sq. ft. of retail space, providing a year-round boat show atmosphere, 600,000 sq. ft. of parking and outside show area and 23 acres of enclosed deep water harbour. The complex will also house a full service maintenance facility and feature a variety of restaurants, mariners clubhouses and other recreational features.

1. Claude Lewis—Manager, Recreational Properties Division.
2. A proposed condominium chalet project in the Caledon Hills.
3. The picturesque Caledon Hills and Credit River in winter.
4. The Company owned Chinguacousy Golf and Riding Club property. 27 holes of championship golf and one of the finest equestrian facilities in Canada.
5. The Chinguacousy Equestrian Centre provides an opportunity to stage many championship riding events throughout the year.
6. Large, heavily wooded lots are a feature of the Company's Caledon Mountain country estate development.

Industrial Division

The Company's activity in the development of Industrial sites on our Mississauga properties involved the sale of our 72 acre Wolfedale Park during the year.

Development plans on our Creditview Park totalling 104 acres are being processed by the City and registration of this property is expected during 1974. A number of other industrial developments within our land holdings in Ontario are in the preliminary stages of planning. Marketing programs for these projects are also being developed.

Construction activity on McLaughlin developed industrial land is moving ahead rapidly and a variety of small to medium sized plants are preparing to establish operations this year. The most significant is the huge "Gateway" postal complex scheduled to open in the summer of 1975.

This progress will add significantly to the economic environment in the City by generating many job opportunities for residents and additional overall impetus to other surrounding developments including those of your Company.

1. Industries of all sizes have located or are preparing to establish their operations on McLaughlin developed Industrial lands, adding further impetus to other activity in our Mississauga City devlopment.

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Red Wing Peat Corporation

Although S. B. McLaughlin Associates Limited remains primarily a residential, commercial, industrial, and recreational property development Company, it will from time-to-time enter unrelated fields when an attractive investment opportunity arises.

Such an opportunity was presented last year and resulted in the purchase in January 1974, of a 54% equity interest in Red Wing Peat Corporation, a Texas based manufacturer and distributor of sphagnum peat moss.

The Company operates a sales and marketing agency in Houston, Texas while the manufacturing process is conducted on approximately 11,000 acres of Company owned and leased bog property in British Columbia, Manitoba, and New Brunswick. The producing companies are wholly-owned Canadian subsidiaries, Western Peat Moss Limited and Atlantic Peat Moss Company Limited. While the Company markets several brands, the premier product names are "Sunshine" and "Atlantic", both popular soil conditioners because of their high grade qualities.

At present, Red Wing enjoys a dominant share of the North American market and achieved sales in excess of $10 million during 1973. 90% of product output is sold in the United States. Because of an expanding market and increased demand for Red Wing products, a major corporate objective for 1974 is to improve marketing capability with improvements in production. Our desire is to stabilize supply and improve overall position in the market.

The increasing costs of shipping the bulky product over great distances has caused much concern to the industry and subsequently created a need to research and develop new methods of transportation. To this end, Red Wing engineers are currently working toward perfecting a method of decreasing bulk size by compression prior to shipment. While still in the experimental stage, the project will be a significant new development in the interest of lowering marketing costs. As well, it will establish Red Wing people as industry innovators.

Red Wing Peat Corporation represents an important new subsidiary operation in the McLaughlin diversification policy and a sound investment opportunity for the Company in an expanding business.

1. Bob MacGillivray, President, Red Wing Peat Corporation.
2. The company produces and markets a high quality grade of sphagnum peat moss to industry and the consumer.
3. Western Peat Moss bog operation in southern Manitoba.


Holiday Inn
Holiday Inn

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S. B. McLaughlin Associates (Quebec) Limited

The Company has entered the Quebec development scene in a substantial way. A construction start in November 1973 on the world's largest Holiday Inn in downtown Montreal heralds a series of McLaughlin projects now in the planning stages for the City of Montreal and other areas of the Province. The hotel project will be retained in the Company's portfolio of income producing properties and will be ready to welcome its first guests from around the world in the spring of 1976, Olympic year.

The new 41 million dollar Flagship Holiday Inn will rise 38 levels above Dorchester Blvd. and Stanley Street yielding 31 typical floors of 28 rooms each (868 rooms in all), and a two-level rooftop restaurant, seated atop a four-storey podium made up of meeting, banquet, dining and other facilities. Below grade, the development will embrace 40,000 sq. ft. of retail space (for boutiques and service shops) on two levels, plus five additional levels of parking space.

A distinguishing feature of the Dorchester Blvd. facade will be an exterior glass-enclosed elevator. It will provide vertical express transportation to the first two-level rooftop revolving restaurant in Montreal.

In addition to the hotel development, preparations are underway to announce and begin construction on a downtown Montreal office structure, approximately 25 storeys high and 358,000 sq. ft. in size. As well, plans for an apartment-hotel complex are nearing the final planning stage and will be released during the year.

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1. Dan Glumicich, President, S. B. McLaughlin Associates (Quebec) Limited.
2. Wolfgang Triebsch, Architectural Co-ordinator
3. Architects rendering of a proposed McLaughlin office complex on Dorchester Blvd. in downtown Montreal.
4. Jean Hebert, President of S. B. McLaughlin Construction Ltd. (centre) with Roger Charbonneau, Contract Manager (left) and Guy Hebert, Project Manager above the Holiday Inn excavation at Dorchester and Stanley Streets.
5. Michael Dennis, Corporate Secretary (left) and Pierre Brodeur, Vice-President.

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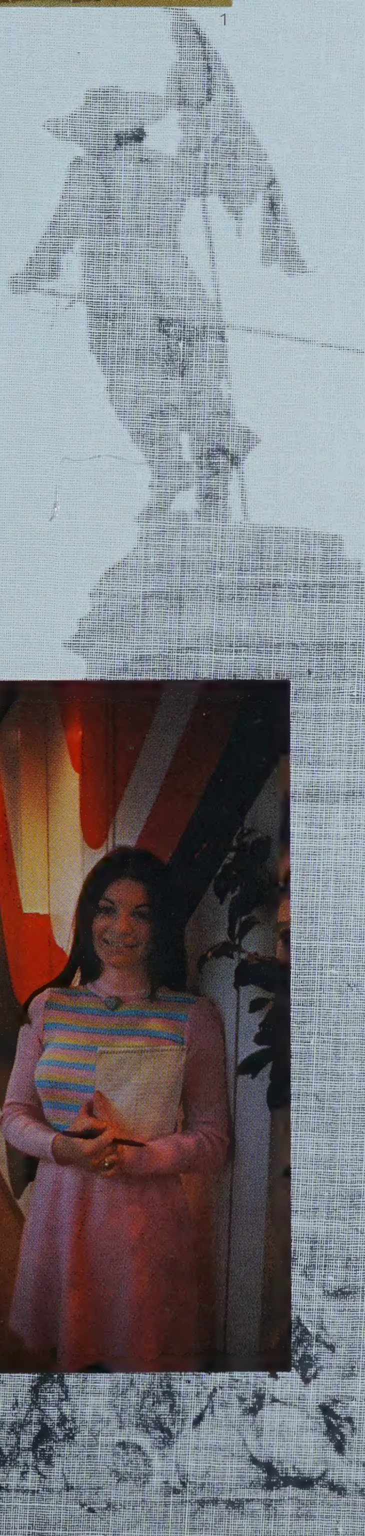

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S. B. McLaughlin Associates (Quebec) Limited cont.

The Company is currently engaged in a major land acquisition program throughout the Province, strategically selecting sites where we anticipate future growth will occur. At present, we have accumulated in excess of 1,600 acres and will expand this land bank during the coming year. In the meantime, early conceptual planning is underway on potential projects for these areas that will include an integration of residential, commercial, industrial, and recreational oriented developments.

Because of the growing resources of the Company, the infusion of high calibre people who give those resources vitality and a long-range plan, the McLaughlin Group enjoys the challenge of participating and contributing to a dynamic period of economic growth in the Province of Quebec.

1. McLaughlin architects work to complete the world's largest Holiday Inn for spring 1976.
2. Interior of the retail podium area of Holiday Inn.
3. Jean Brunet (left) and Ron Gleeson, Accounting Division.
4. Ernie Corso, Director of Administration and Muriel Blondeau.
5. Lucie Merette, (top left) Gwen Andrews (lower left) and Lise Brodeur.

S.B. McLaughlin Associates Inc.

The Company's first U.S. land acquisition in Southfield, Michigan received site plan approval in its entirety just prior to printing this report and was enthusiastically supported by City Council members and staff officials. Construction of Phase I of the 50 acre site will begin this summer.

The initial stage will incorporate a total of 665 garden court and high-rise rental apartments in three towers. The project will feature a three-level underground garage system and all buildings will face in toward a highly landscaped courtyard. Each phase of the residential development will serve as an individual community featuring its own swimming pool and clubhouse facility and squash and tennis courts. A man-made lake has also been proposed as part of the entire development.

Overall, the project will incorporate 2,000 apartment suites, a 300 room hotel, a 150,000 sq. ft. office building, and 136,000 sq. ft. of shopping complex. The current developed value of the project is estimated at 100 million dollars and a five-year construction schedule is projected.

Meanwhile, new areas of potential development are under consideration by our U.S. operation.

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1. Aerial location of the 50 acre site on which the $100 million dollar residential, commercial Southfield, Michigan project will begin this summer.

2. The traditional sod turning ceremony is performed by City of Southfield Councillors (left to right) John Marcosky, Steve Hurite, (Council President) and Jean McDonnell along with Dan Glumicich, President, S. B. McLaughlin Associates Inc.

3. Phase I of Southfield will contain 665 rental units of mixed residential accommodation including high-rise and garden court apartments.